

REQUEST FOR COUNCIL ACTION

MEETING

DATE: 5/5/03

AGENDA SECTION:

Consent Agenda/Organizational Business

ORIGINATING DEPT:

Finance Department

ITEM NO.

D-11

ITEM DESCRIPTION: Authorization to execute contract for third party administration of Workers Compensation claims with Berkley Risk Services

PREPARED BY:

Dale Martinson

We are requesting authorization to execute an agreement with Berkley Risk Services, Inc. of Minneapolis, MN to administer workers compensation claims on behalf of the City of Rochester.

An employee of the Finance Department voluntarily left employment with the City due to concerns over the potential impacts of possible budget cuts. This person was responsible for administering workers compensation claims for the City. Due to those looming budget concerns, we, like most every department, have not been able to recruit to replace this person.

It is very important that we not miss various filing deadlines with the State when handling workers compensation claims. It is equally important to have someone "stay on top" of the claims to assure employees are brought back to work as soon as safely possible and to monitor claims to assure the City does not pay amounts that it should not be.

We are requesting that for a period of at least one year, that we contract with Berkley Risk Services, Inc to administer our workers compensation claims. We would still be able to access all information necessary and would be making the significant decisions on claims, but we would privatize the day-to-day paperwork administration of the claims. This firm would, for example, directly handle required filings with the State and would receive and pay medical bills resulting from a workers compensation claim.

We would review this arrangement after a period of one year and determine, based upon the budget picture at that time and our experience with their work, whether to continue with this activity being outsourced or not.

Berkley has significant experience in administering workers compensation claims, and it fact is the administrator for all League of Minnesota Cities governments that purchase workers compensation insurance through the League. We have negotiated a "per claim" cost for this service of \$150/claim for "medical only" claims, \$350/claim for lost time claims plus a flat general administration charge of \$1,000 per month. Based upon our prior year history, we estimate total yearly costs for this service to run approximately \$32,250. However, this amount will vary based upon actual claims in a given year.

This cost would be charged to the Workers Compensation Fund and be one of the amounts calculated into the workers compensation charge that is billed to the various departments.

Recommended Action:

Authorize Mayor and City Clerk to execute agreement with Berkley Risk Services, Inc. for third party administration of workers compensation claims on behalf of the City.

COUNCIL ACTION: Motion by: _____ Second by: _____ to:

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